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MEMORANDUM FOR: The Record

SUBJECT : Intelligence Costs

REFERENCE : Bureau of the Budget Instructions for Preparation of Exhibit A -- Estimated FY 1958 Intelligence Cost Report.

1. Some revision of reference instructions will be required to achieve a sufficient degree of standardization and coordination within the Community to insure that cost figures will be realistic, meaningful and comparable with each other.

2. The following comments cover each item in the BOB Instructions and are based on an analysis of the FY 1958 cost figures.

3. Collection

a. Requirements Coordination: The definition or explanation of this item by BOB seems clear enough although we probably should include costs involved in the initial development of the requirements at their original source as well as the "requirements processing" machinery in each department or agency and such community machinery as the IPC, CCPC, and other committees or groups who work partly or wholly on the requirements problem. The Community members seem to be "in line" on this item with the exception of the Air Force which allocates 9.1% of its entire budget for this item and NSA which shows no charge at all.

b. Domestic Overt Collection: As the "overt collection" of foreign intelligence information from non-governmental organizations and individuals within the US is covered by paragraph 7 of NSCID No. 2, it would seem appropriate to relate this activity to the NSCID covering it and do the same for any other activity which is directly related to the provisions of a NSCID. The Air Force expenditure for this activity is one-half that of the CIA which has a "service of common concern" responsibility in this field. If the Air Force activity is "supplemental" to that of the CIA and conducted under the provisions of NSCID No. 2, that fact should be clearly stated. On the other hand, if this is an entirely separate activity, it should be clearly defined and understood; the same goes for the other departments and agencies.

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c. Foreign Services and Attaches: From the figures submitted by State, it would appear that they are going on the basis that all information collected and distributed by their Foreign Service personnel is "intelligence" and therefore a major portion of their total foreign service cost is chargeable to their foreign intelligence effort. It is not believed that so heavy a charge would be reasonable if the community adopted the principle that these intelligence cost figures should be restricted to, but cover all, intelligence activities coming within the coordination authority of the DCI and the cognizance of the USIB. If DOD followed State's procedure, they might logically include a portion, at least, of the cost of MAAGs, etc., which does obtain information which is useable by the intelligence community, although not obtained originally at their request or to meet their requirements. In fairness to State, it is believed that a procedure should be worked out that would enable their cost figures in this area to be reasonably comparable to those submitted by the military services.

d. Other Overseas Overt Collection: A more definitive heading should be agreed upon and the pertinent NSC/D provisions governing the activity should be indicated. If the activities of the various departments and agencies covered by this heading are too varied to fit under a "blanket term," sub-headings can be used to insure clarity and common understanding.

e. Espionage: We should use the definition given in NSC/D No. 5 and include "clandestine counterintelligence." All other types of "counterintelligence" should be appropriately covered as those activities are also a part of the US foreign intelligence effort and subject to the provisions of the NSC/Ds.

f. COMINT: If the term is designed to limit itself to the collection of raw COMINT and not to its further "processing" prior to its use in the production of "finished intelligence," we should probably use the term "COMINT Collection" to avoid confusion with the other activities which are covered by the term "COMINT Activities" as defined in NSC/D No. 6. In fact, it might be better to borrow language from NSC/D No. 6 and use a heading of "COMINT Interception" to cover the "collection" phase of this activity.

g. ELINT: There should be no problem with this one, and, as with COMINT, it is noted that specific reference is made to the pertinent NSC/Ds. However, the figures would indicate that there is some confusion within the community as the total amount allocated to ELINT by the Community as a whole appears low, and it is not believed that Air Force participation is less than for any other member.

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h. Other Covert Collection: More definitive terminology should be used so that all concerned will understand what we are talking about under this item.

4. Production

a. The activities to be included under this heading should be clearly defined and understood by all concerned. Basically it should cover all those activities covered by NSCID No. 3 (Coordination of Intelligence Production). It is not believed that NSA activities nor map production, as such, should be included under the heading "Production." On the other hand, it is realized that there is a broad area of intelligence activity which takes place after collection of the raw material but before the production of finished intelligence. It may well be that we need another basic category such as "Processing," which can be used to define those various intelligence activities which are carried out to make "raw information" useable by the analysts who produce "finished intelligence." As now presented, the figures for NSA have a major effect on the position of DOD in the "Production" field, i.e.; by including NSA under "production" DOD shows an allocation of 22.6% of its funds to that area of activity, omitting NSA reduces the figure to 17.1%.

b. It is very important that the distinction between "information" and "intelligence" be made clear, and that the various processes undertaken to achieve the "end product" of finished intelligence be well defined and placed in proper relationship to each other.

c. It is noted that the DOD Instructions call for figures on "Production of intelligence by an agency or its contractors" This appears to be a clear requirement that the cost of "external research" be included. This must be done in order to get a realistic picture of the proportion of intelligence funds being spent on "production." The present figures tend to give the impression that production of intelligence is getting the short end of the stick.

d. The sub-headings under the basic term "Production" should be studied to make sure there is a common understanding as to their activities to be included under them. There may be a possibility of some confusion as between Ground, Naval and Air forces intelligence and Scientific and Technological intelligence as the first three refer to "equipping" and S&T refers to "equipment and weapons in being."

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e. It is noted that "cartographic preparation" is included under Geographic (Intelligence). The figures indicate that this is an area of possible distortion due to the heavy charges for this item by the Services, particularly Army. In those cases where the intelligence element of a department or agency is charged with the production of material, such as maps, which are not in themselves "intelligence" and are used widely for purposes other than intelligence, it might be well to create a new category for this type of work such as "special support" or some other term which would separate those costly activities which, in large measure, are not a part of the regular intelligence process.

5. Collateral Activities

a. Screening and Distribution: This term is rather broadly defined in the SOS Instructions and applies to the "handling" of both raw and finished intelligence. This item may be causing some confusion as such other items as "Translation," "Printing and Reproduction," and even "Requirements Coordination," are all involved with the "handling" of raw and finished intelligence. We should also consider that the Community normally thinks of "raw information" rather than "raw intelligence." It might be easier to include "screening and distribution" activities as a part of other more basic activities.

b. Training: The wide variation in the cost figures given for this item indicates that there is no common criteria for applying costs under this heading. The Community as a whole allocates more funds to "training" than to any item of "intelligence production," and there is great variation as the percentage allocation for this activity by the member departments and agencies. The Army, for example, allocates more money to "training" than to its entire "production" effort. On the other hand, the Air Force shows a relatively low figure for this item.

c. Translation: Assuming the figures are correct, the Community is spending only 0.7% of its "Intelligence Dollar" for translation work which might explain the difficulties in this area.

d. Reference Facilities: There would not appear to be any difficulties under this heading.

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e. Research and Development: This represents one of the more costly items of activity in the Community; there is considerable variation between the members, and the BOB description is a rather broad one. It might be more meaningful to divide this activity as between "collection" and "analysis," or, better still, break out the R&D as between the various items listed under "Collection" and "Production." It may be that "external research" costs are involved here too.

f. Printing and Reproduction: This term as defined by BOB may lead to some confusion. For example, it includes reproduction of maps "related to activities covered elsewhere in the estimates." It is possible that a major portion of the Army Map Service might more properly be included as a sub-heading under this item rather than under "geographic intelligence production."

6. Support

a. Administration, Supervision and Coordination: For the Community, as a whole, this is the largest single cost item on the list with the exception of COMINT collection, and it eats up a large portion of the military services "Intelligence Dollar." There should be a clear and common understanding as to the activities included under this heading.

b. Communications: There does not appear to be any problems in this area although it is noted that Navy and NSA allocations for this item are considerably higher than the other members of the Community.

c. Security: It is not believed that the Community spends only 0.2% of its "Intelligence Dollar" on security. It is recognized that BOB restricted these costs to those directly related to the activities covered elsewhere in the estimates. However, as the USIB has cognizance of all counterintelligence activities, this item should be examined to make sure that all costs related thereto are properly included. Furthermore, it would be logical to include security costs that are even indirectly connected with specific intelligence activities in the same fashion that map production for other than intelligence purposes is included.

7. General: It is noted that the BOB instructions call for the inclusion of cost data on "activities of the intelligence components

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of, and intelligence units attached to, the major overseas military commands and the US elements of combined commands," but not to include tactical or combat intelligence activities. For clarity, it might be better to call for cost data on those activities of the overseas military commands that are subject to the provisions of the NSCIDs, the coordination of the DCI and the cognizance of the USIB.

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Asst. to the DD/C

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